

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WASHINGTON

RCB INTERNATIONAL, LTD.,

No. 1:16-cv-03109-SAB

Plaintiff,

v.

LABBEEMINT, INC.,

ORDER DENYING

Defendant.

DEFENDANT'S 12(b)(6)**MOTION TO DISMISS**

Before the Court is Defendant's 12(b)(6) Motion to Dismiss, ECF No. 34.

Defendants contend that each of Plaintiff's causes of actions are preempted by federal patent law. For the reasons set forth below, the Court **denies** Defendant's motion to dismiss.

STANDARD

Rule 12(b)(6) permits dismissal for failure to state a claim upon which relief can be granted. Under ordinary liberal pleading standards, a plaintiff need only plead sufficient facts which, if taken as true, allow the Court to draw reasonable inferences that a plausible ground for relief exists. *Harris v. Cnty. of Orange*, 682 F.3d 1126, 1131 (9th Cir. 2012) (citing *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009)). Rule 12(b)(6) dismissal is "appropriate only where the complaint lacks a cognizable legal theory or sufficient facts to support a cognizable legal theory." *Mendiondo v. Centinela Hosp. Med. Ctr.*, 521 F.3d 1097, 1104 (9th Cir. 2008).

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1 To sufficiently state a claim for relief and survive a Rule 12(b)(6) motion, a
2 complaint does not need detailed factual allegations but it must provide more than
3 a “formulaic recitation of the elements of a cause of action.” *Bell Atl. Corp. v.*
4 *Twombly*, 550 U.S. 544, 555 (2007). The factual allegations must be enough to
5 raise a right to relief above the speculative level. *Id.* When considering a motion to
6 dismiss, a court must accept as true all “well-pleaded factual allegations.” *Iqbal*,
7 556 U.S. at 678.

8 **AMENDED COMPLAINT**

9 In considering the 12(b)(6) motion to dismiss, the Court takes the following
10 facts *solely* from the amended complaint.

11 RCB International, Ltd. (RCB) is the owner of the only plant stock of a
12 commercially valuable variety of low menthol mint plant, *Menthe spicata L.*
13 (*Erospicata*). For several years, RCB has been propagating *Erospicata* plant stock,
14 which can only be accomplished asexually, through rootstock or cuttings. RCB
15 was previously the exclusive licensee of a plant patent on the *Erospicata* variety,
16 but this patent has since expired. RCB has been relying on its ownership rights
17 and various contracts to prevent third parties from lawfully obtaining and
18 propagating *Erospicata* plants.

19 Throughout the patent period and after patent expiration, RCB has been
20 selling mint oil from the *Erospicata* plants but it does not sell the plants
21 themselves. Rather, RCB has taken substantial steps to keep its plants under its
22 ownership and control, propagating the plant with the assistance of few select
23 growers who are all under contract with RCB. The relevant contracts specify that
24 RCB owns the *Erospicata* plants and that the growers may not sell or transfer the
25 plant or its cuttings to any third party. RCB likewise authorized few select
26 universities to study the *Erospicata* plant under contractual terms prohibiting the
27 university from transferring the plant to a third party.

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Despite such contractual provisions, Labbeemint obtained some of RCB's *Erospicata* mint stock without RCB's permission and is now using the plant for commercial use. RCB contends that Labbeemint obtained the stock, directly or indirectly, from someone who had possession of RCB's *Erospicata* plant but with no authority to sell or transfer it. The transferor was under a lawful contract not to transfer the *Erospicata* stock to a third party, and Labbeemint knew of these contractual restrictions. RCB further alleges that Labbeemint lacks legal title to the *Erospicata* plant and that its conduct amounts to theft and unlawful possession of the stolen plant.

ANALYSIS

Labbeemint seeks to dismiss RCB's claims for relief on the ground that each of its claims are preempted by federal patent law. The Court disagrees. RCB has sufficiently alleged facts that, if taken as true, state a plausible ground for relief.

The Plant Patent Act (PPA) provides that [w]hoever invents or discovers and asexually reproduces any distinct and new variety of plant . . . may obtain a patent therefor, subject to the conditions and requirements of this title.” 35 U.S.C. § 161 (2012). Thus, for the patent term, the PPA grants plant patentees “the right to exclude others from asexually reproducing the plant or selling or using the plant so reproduced.” *Imazio Nursery, Inc. v. Dania Greenhouses*, 69 F.3d 1560, 1569 (Fed. Cir. 1995). Aside from the four statutory provisions comprising of the Plant Patent Act, 35 U.S.C. §§161-164, plant patents are subject to the same conditions and requirements as all other patents. 35 U.S.C. §161.

Because the Patent Act “does not contain preemptive text,” express preemption is not an issue in patent cases. *In re Cybernetic Servs., Inc.*, 252 F.3d 1039, 1046 (9th Cir. 2001). However, there are “two types of implied preemption: field preemption and conflict preemption.” *Whistler Inv., Inc. v. Depository Trust & Clearing Corp.*, 539 F.3d 1159, 1164 (9th Cir. 2008). With regard to field and

1 conflict preemption in patent cases, “the Supreme Court has adopted a ‘pragmatic’
 2 approach to deciding whether the Patent Act preempts a particular state law.”
 3 *Cybernetic Servs., Inc.*, 252 F.3d at 1047 (citing *Bonito Boats, Inc. v. Thunder*
 4 *Craft Boats, Inc.*, 489 U.S. 141, 156 (1989). In enacting the Patent Act, “Congress
 5 has balanced innovation incentives against promoting free competition, and state
 6 laws upsetting that balance are preempted.” *G.S. Rasmussen & Assoc., Inc. v.*
 7 *Kalitta Flying Serv., Inc.*, 958 F.2d 896, 904 (9th Cir. 1992). Accordingly, “state
 8 regulation of intellectual property must yield to the extent that it clashes with the
 9 balance struck by Congress.” *Bonito Boats*, 489 U.S. at 152. However, federal
 10 patent law will not preempt state law claims if such claims contain “an element not
 11 shared by the federal law; an element which changes the nature of the action ‘so
 12 that it is *qualitatively* different from a copyright [or patent] infringement claim.’”
 13 *Summit Mach. Tool Mfg. Corp. v. Victor CNC Sys., Inc.*, 7 F.3d 1434, 1439-30
 14 (9th Cir. 1993) (quoting *Balboa Ins. Co. v. Trans Global Equities*, 218 Cal. App.
 15 3d 1327, 1340 (1990)) (alterations in original).

16 The federal patent laws do not preempt the laws of private property, theft,
 17 and conversion. It is axiomatic that the PPA grants the plant patentee “the right to
 18 exclude others from asexually reproducing the plant, and from using, offering for
 19 sale, or selling the plant so reproduced, or any of its parts” during the patent
 20 period. 35 U.S.C. §163. Federal patent laws do not, however, supplant the laws of
 21 private property after the patent has expired. The laws of private property govern
 22 what an owner can do with the property they own; the laws of patent protection
 23 govern, at least for the patent term, how the inventor can control the property
 24 owned by others.

25 In order to succeed on its claims for conversion, equitable relief, and
 26 violations of the Washington Consumer Protection Act, RCB necessarily must
 27 demonstrate that Labbeemint unlawfully obtained the *Erospicata* plant stock.
 28 Indeed, the basis of RCB’s claims for relief is that Labbeemint obtained its private

1 property, *Erospicata* rootstock or cuttings, unlawfully either through conversion
 2 or theft.

3 However, in a plant patent infringement action, the “patentee must prove
 4 that the alleged infringing plant is an asexual reproduction, that is, that it is the
 5 progeny of the patented plant.” *Imazio*, 69 F.3d at 1569. The PPA does not require
 6 proof of unlawful conversion or theft. It merely requires that the infringing plant
 7 be an asexual reproduction of the patented plant, whether obtained lawfully or not.
 8 *Id.* Consequently, RCB’s state law claims require proof of “an element not shared
 9 by the federal law” that is qualitatively different from a patent infringement claim:
 10 unlawful possession of private property.

11 RCB has alleged that Labbeemint does not own the *Erospicata* plant in
 12 question nor could it have obtained possession legally. Because ownership of the
 13 *Erospicata* stock has not been, and cannot be, resolved based solely on the
 14 pleadings, Labbeemint’s motion to dismiss must be denied.

15 Nonetheless, Labbeemint relies on the Supreme Court’s decision in *Brulotte*
 16 *v. Thys Co.*, 379 U.S. 29 (1964), and its progeny for the proposition that when a
 17 plant patent expires, the patentee has no recourse to prevent others from obtaining
 18 access to the formerly patented plant. Rather, Labbeemint argues that upon patent
 19 expiration, RCB was required to release the physical *Erospicata* plant into the
 20 public domain. However, Labbeemint’s reliance on *Brulotte* is misplaced.

21 In *Brulotte*, Respondent owned various patents for a hop-picking machine.
 22 379 U.S. at 29. While the patents were in force, Respondent then sold a machine to
 23 each of the petitioners for a fee and issued a license requiring a royalty payment
 24 for use of the machine. *Id.* Although the licensees were the lawful owners of the
 25 machines, the royalty payment attached to the use of the machine indefinitely
 26 pursuant to the terms of the licensing agreement. *Id.* Subsequently, the patents
 27 expired but the licenses issued by Respondent continued beyond the patent’s
 28 expiration date. *Id.* at 30. The Supreme Court held that although the patentee had

1 the “right to make, the right to sell, and the right to use” the machines during the
 2 patent period, those rights “become public property once the 17-year [patent]
 3 period expires.” *Id.* at 31. The Court further stated that “after expiration of the last
 4 of the patents incorporated in the machines ‘the grant of patent monopoly was
 5 spent’ and that an attempt to project it into another term by continuation of the
 6 licensing agreement was unenforceable.” *Id.* at 33-34 (quoting *Ar-Tik Sys., Inc. v.*
 7 *Dairy Queen, Inc.*, 302 F.2d 496, 510 (3d Cir. 1962). Thus, the license restrictions
 8 requiring the payment of royalties past the patents’ expiration were unenforceable.

9 The Supreme Court upheld *Brulotte* in 2015, relying on the doctrine of stare
 10 decisis. *See Kimble v. Marvel Ent., LLC*, 135 S. Ct. 2401 (2015). In *Kimble*,
 11 Petitioner Kimble obtained a patent on a toy. *Id.* at 2405. In an effort to sell or
 12 license his patent, Kimble met with Respondent Marvel Entertainment, LLC
 13 (Marvel) to discuss his idea for the toy. *Id.* at 2406. However, soon thereafter,
 14 Marvel began marketing a toy similar to that of Kimble’s invention. *Id.* Kimble
 15 sued Marvel for patent infringement, and the parties ultimately settled. *Id.* The
 16 settlement agreement provided that “Marvel would purchase Kimble’s patent in
 17 exchange for a lump sum . . . and a 3% royalty on Marvel’s future sales.” *Id.* The
 18 agreement set no end date for the royalty payments. *Id.* In holding that the royalty
 19 provision was unenforceable, the Court noted that “parties can often find ways
 20 around *Brulotte*” enabling them to enter into deals they desire. *Id.* at 2408. The
 21 Court continued that all that the *Brulotte* “decision bars are royalties for using an
 22 invention after it has moved into the public domain.” *Id.* (citing *Brulotte*, 379 U.S.
 23 at 31). Indeed, “*Brulotte* poses no bar to business arrangements other than
 24 royalties . . . that enable parties to share the risks and rewards of commercializing
 25 an invention.” *Id.*

26 This is not a royalty case. Nor is this a case where the patentee sold its
 27 invention to a third party in lawful possession. On the contrary, RCB alleges that
 28 Labbeemint did not, and could not have, obtained the *Erospicata* plant lawfully.

1 Thus, *Brulotte* and its progeny are not dispositive in this case.

2 Because RCB has sufficiently alleged facts that, if taken as true, state a
3 plausible ground for relief, Labbeemint's Motion to Dismiss, ECF No. 34, must be
4 **DENIED.**

5
6 Accordingly, **IT IS HEREBY ORDERED:**

7 1. Defendant's Motion to Dismiss, ECF No. 34, is **DENIED.**

8 **IT IS SO ORDERED.** The District Court Executive is hereby directed to
9 file this Order and provide copies to counsel.

10 **DATED** this 27th day of September, 2016.



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14 Stanley A. Bastian

15 Stanley A. Bastian
16 United States District Judge
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